

**SUBSTANCE ABUSE TREATMENT  
UNIT OF CENTRAL IOWA  
Marshalltown, Iowa**

**FINANCIAL STATEMENTS  
June 30, 2004 and 2003**

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**SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA**

**BOARD OF DIRECTORS AND MANAGEMENT**

**June 30, 2004**

**BOARD OF DIRECTORS**

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<b><u>Name</u></b>	<b><u>Title</u></b>
Sharon Soorholtz Greer	Chairperson
Gordie Johnson	Board Member
Erv Miller	Board Member
Jim Ledvina	Board Member
Roger Roudabush	Board Member
Polly Granzow	Board Member
Diane Petty	Board Member
Jennifer Krohn	Board Member

**MANAGEMENT**

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<b><u>Name</u></b>	<b><u>Title</u></b>
Jack E. Stowe	Executive Director

## **Independent Auditor's Report**

Board of Directors  
Substance Abuse Treatment  
Unit of Central Iowa  
Marshalltown, Iowa

We have audited the accompanying statements of financial position of the Substance Abuse Treatment Unit of Central Iowa as of June 30, 2004 and 2003, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Substance Abuse Treatment Unit of Central Iowa as of June 30, 2004 and 2003, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2004 on our consideration of the Substance Abuse Treatment Unit of Central Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information included on page 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Cedar Rapids, Iowa  
July 20, 2004

## **FINANCIAL STATEMENTS**

**SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2004 and 2003**

**ASSETS**

	<b><u>2004</u></b>	<b><u>2003</u></b>
<b>CURRENT ASSETS</b>		
Cash on hand and in bank	\$290,994	\$279,239
Certificates of deposit	100,959	65,519
Accrued interest receivable	-	952
Accounts receivable	80,855	78,070
Prepaid expenses	8,724	6,526
Deposits	<u>300</u>	<u>300</u>
Total current assets	<u>481,832</u>	<u>430,606</u>
 <b>PROPERTY AND EQUIPMENT</b>		
Land and improvements	35,000	35,000
Building and improvements	480,929	480,929
Furniture and equipment	<u>225,287</u>	<u>209,623</u>
Total, at cost	741,216	725,552
Less accumulated depreciation	<u>348,818</u>	<u>318,801</u>
Net property and equipment	<u>392,398</u>	<u>406,751</u>
 <b>TOTAL ASSETS</b>	 <u><u>\$874,230</u></u>	 <u><u>\$837,357</u></u>

## **LIABILITIES AND NET ASSETS**

	<b><u>2004</u></b>	<b><u>2003</u></b>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 14,555	\$ 33,584
Accrued payroll	26,955	24,877
Accrued compensated absences	<u>15,963</u>	<u>13,330</u>
Total current liabilities	57,473	71,791
 <b>NET ASSETS</b>		
Unrestricted	<u>816,757</u>	<u>765,566</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u><u>\$874,230</u></u>	 <u><u>\$837,357</u></u>

These financial statements should be read only in connection with  
the accompanying summary of significant accounting policies  
and notes to financial statements.

**SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA  
STATEMENTS OF ACTIVITIES  
Years Ended June 30, 2004 and 2003**

	<u><b>2004</b></u>	<u><b>2003</b></u>
<b>PUBLIC SUPPORT AND REVENUE</b>		
Iowa Department of Public Health:		
Prevention programs	\$134,317	\$130,899
Medicaid	64,284	49,862
Non-medicaid	424,706	422,435
Client fees	100,192	96,157
Third party pay	94,250	69,750
Contract fees	282,456	118,754
Donations	500	-
Interest income	2,057	2,688
Other revenue	<u>623</u>	<u>4,231</u>
Total public support and revenue	<u>1,103,385</u>	<u>894,776</u>
 <b>EXPENSES</b>		
Program services	904,564	715,657
Support services:		
Management and general	<u>147,630</u>	<u>184,728</u>
Total expenses	<u>1,052,194</u>	<u>900,385</u>
 <b>CHANGE IN NET ASSETS</b>	51,191	(5,609)
 <b>NET ASSETS, BEGINNING OF YEAR</b>	<u>765,566</u>	<u>771,175</u>
 <b>NET ASSETS, END OF YEAR</b>	<u><u>\$816,757</u></u>	<u><u>\$765,566</u></u>

These financial statements should be read only in connection with  
the accompanying summary of significant accounting policies  
and notes to financial statements.



**SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**Years Ended June 30, 2004 and 2003**

	<b>2004</b>			<b>2003</b>		
	<b><u>SUPPORT SERVICES</u></b>			<b><u>SUPPORT SERVICES</u></b>		
	<b><u>Program Services</u></b>	<b><u>Management and General</u></b>	<b><u>Total Expenses</u></b>	<b><u>Program Services</u></b>	<b><u>Management and General</u></b>	<b><u>Total Expenses</u></b>
Salaries and wages	\$ 553,513	\$ 88,983	\$ 642,496	\$ 471,634	\$ 115,462	\$ 587,096
Payroll taxes	44,542	7,161	51,703	36,165	8,854	45,019
Health insurance	<u>46,924</u>	<u>14,661</u>	<u>61,585</u>	<u>27,847</u>	<u>14,839</u>	<u>42,686</u>
Total salaries and related expenses	644,979	110,805	755,784	535,646	139,155	674,801
Supplies	63,861	7,502	71,363	49,302	8,270	57,572
Telephone	17,381	3,091	20,472	14,880	2,593	17,473
Postage	4,631	333	4,964	4,693	256	4,949
Rent	16,104	-	16,104	16,044	-	16,044
Space costs	28,090	5,397	33,487	22,184	4,508	26,692
Travel	12,066	2,324	14,390	10,306	2,654	12,960
Small equipment	-	622	622	-	6,590	6,590
Repairs	167	105	272	130	1,948	2,078
Loss on equipment dispositions	-	-	-	-	63	63
Professional fees	-	5,365	5,365	-	5,025	5,025
Insurance	13,555	6,308	19,863	6,675	4,070	10,745
Employment advertising and promotion	3,506	146	3,652	2,800	30	2,830
Contracted services	72,606	-	72,606	23,880	65	23,945
Dues and subscriptions	250	139	389	650	3,768	4,418
Registrations and training	<u>2,754</u>	<u>90</u>	<u>2,844</u>	<u>2,668</u>	<u>70</u>	<u>2,738</u>
Total expenses before depreciation	879,950	142,227	1,022,177	689,858	179,065	868,923
Depreciation	<u>24,614</u>	<u>5,403</u>	<u>30,017</u>	<u>25,799</u>	<u>5,663</u>	<u>31,462</u>
<b>TOTAL EXPENSES</b>	<b><u>\$ 904,564</u></b>	<b><u>\$ 147,630</u></b>	<b><u>\$1,052,194</u></b>	<b><u>\$ 715,657</u></b>	<b><u>\$ 184,728</u></b>	<b><u>\$ 900,385</u></b>

These financial statements should be read only in connection with  
the accompanying summary of significant accounting policies  
and notes to financial statements.

**SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA  
STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2004 and 2003**

	<u><b>2004</b></u>	<u><b>2003</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 51,191	\$ (5,609)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	30,017	31,462
Noncash interest income	(959)	(929)
Loss on equipment dispositions	-	63
Effects of changes in operating assets and liabilities:		
Accrued interest receivable	952	(290)
Accounts receivable	(2,785)	(13,242)
Prepaid expenses	(2,198)	(781)
Accounts payable	(19,029)	31,800
Accrued payroll	2,078	952
Accrued compensated absences	<u>2,633</u>	<u>(978)</u>
Net cash provided by operating activities	<u>61,900</u>	<u>42,448</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of equipment	(15,664)	(27,370)
Purchase of certificate of deposit	(100,000)	-
Redemption of certificates of deposit	<u>65,519</u>	<u>-</u>
Net cash used in investing activities	<u>(50,145)</u>	<u>(27,370)</u>
<b>NET INCREASE IN CASH</b>	11,755	15,078
<b>CASH, BEGINNING OF YEAR</b>	<u>279,239</u>	<u>264,161</u>
<b>CASH, END OF YEAR</b>	<u><u>\$290,994</u></u>	<u><u>\$279,239</u></u>

These financial statements should be read only in connection with  
the accompanying summary of significant accounting policies  
and notes to financial statements.

**SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**June 30, 2004 and 2003**

The Substance Abuse Treatment Unit of Central Iowa was created in 1976 as a perpetual, non-profit corporation under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the 1975 Code of Iowa. The Agency's fiscal year ends on June 30. The purpose and objectives of the Agency are to increase the understanding of the nature, treatment and damage of chemical dependency and to treat and rehabilitate those dependent upon chemical substances. The Agency is primarily a fee-based provider of services. Clients pay if they are able, but a majority of the client fees are paid by third parties, such as Medicaid and insurance companies. The Agency serves the four-county area of Hardin, Marshall, Poweshiek and Tama from treatment facilities in Iowa Falls, Marshalltown, Grinnell and Toledo, respectively. Significant accounting policies followed by the Agency are presented below.

**USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

**REVENUE RECOGNITION**

Revenue from client services is recognized, at estimated net collectable amounts, in the period the services are performed. A substantial portion of such revenue will not be collectable and the adjustment between standardized and collectable rates is treated as an adjustment to net fee revenue.

Revenue from grants and contracts is recognized as the services are performed if the contract is based on units of service or as costs are incurred if the contract is a cost reimbursement arrangement.

**NET ASSETS**

Net assets are classified based on the existence or absence of donor-imposed restrictions. Unrestricted net assets includes all net assets which are neither temporarily or permanently restricted.

**PROPERTY AND EQUIPMENT**

The Agency's building is depreciated on the straight-line method over its estimated useful life of thirty years. The Agency follows the practice of capitalizing at cost, or at fair market value if donated, all expenditures for property and equipment in excess of \$500 and a useful life greater than one year. Land improvements are being depreciated on the straight-line method over an estimated useful life of fifteen years. Depreciation on the Agency's furniture and equipment is computed over the estimated useful lives of the assets ranging from three to ten years, by the straight-line method of depreciation.

**SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**June 30, 2004 and 2003**

**COMPENSATED ABSENCES**

Agency employees accumulate vacation and sick leave hours for subsequent use or, in the case of vacation leave, for payment upon retirement, death or termination. The Agency has accrued a liability for compensated absences from accrued vacation at June 30, 2004 and 2003, based on rates of pay on those dates.

**INCOME TAXES**

The Agency is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provides tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes.

**FUNCTIONAL EXPENSES**

The costs of providing various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

This information is an integral part of the accompanying financial statements.

**SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004 and 2003**

**NOTE 1 - CASH FLOW DISCLOSURES**

The Agency had the following noncash operating and investing activity:

Interest totaling \$959 and \$929 earned on a certificate of deposit was added to the balance of the certificate upon renewal during the years ended June 30, 2004 and 2003, respectively.

**NOTE 2 - LEASE COMMITMENT**

At June 30, 2004, the Agency leases facilities at three locations. These leases have been classified as operating leases and, accordingly, all payments are charged to expense as incurred. One of the properties is leased on a month-to-month basis. The other two properties are leased under long-term leases, both of which expire on June 30, 2005. Future minimum lease payments required under these leases total \$11,364 and are due in the year ending June 30, 2005.

**NOTE 3 - RETIREMENT PLAN**

The Agency maintains a Tax Sheltered Annuity Retirement Plan 403(b) that covers employees who meet certain eligibility requirements. The Agency is not required to contribute into the plan, but instead will pay employees a specified percentage of their wage for them to put into their 403(b) account or to use in any other way they choose.

**NOTE 4 - RISK MANAGEMENT**

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial coverage during the past three fiscal years.

**NOTE 5 - DISCLOSURES ABOUT CERTAIN CONCENTRATIONS**

The Agency is subject to a certain degree of vulnerability due to concentrations of accounts receivable and revenue from major funders. Revenue from these funding agencies represented the following percentages of total revenue for the years ended June 30, 2004 and 2003:

	<u><b>2004</b></u>	<u><b>2003</b></u>
Iowa Department of Public Health	12%	15%
MBC of Iowa - non-medicaid	38%	47%
MBC of Iowa - Medicaid	6%	6%

This information is an integral part of the accompanying financial statements.

## **SUPPLEMENTAL INFORMATION**

**SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA  
SCHEDULE OF REVENUE AND EXPENSES -  
I.D.P.H. CONTRACTS  
Year Ended June 30, 2004**

	<b>Comprehensive Prevention <u>5883-CP-18</u></b>	<b>Drug &amp; Violence Prevention <u>5883-DV-13</u></b>
<b>Revenue</b>		
Iowa Department of Public Health	\$ 91,779	\$ 42,538
Client fees	1,733	-
Other revenue	<u>340</u>	<u>-</u>
Total revenue	<u>93,852</u>	<u>42,538</u>
<b>Expenses</b>		
Salaries	64,437	11,594
Personnel benefits	10,295	945
Supplies	2,134	2,064
Telephone	1,823	602
Postage	159	-
Occupancy costs	3,002	-
Travel	2,806	314
Insurance	1,787	582
Contracted services	-	20,825
Registrations and training	50	-
Depreciation	<u>3,302</u>	<u>-</u>
Total expenses	<u>89,795</u>	<u>36,926</u>
<b>Excess of revenue over expenses</b>	4,057	5,612
<b>Indirect expense allocation</b>	<u>(14,417)</u>	<u>(5,929)</u>
<b>Net</b>	<u>\$ (10,360)</u>	<u>\$ (31,243)</u>

**Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters Based on  
Audit of Financial Statements Performed in Accordance  
with *Government Auditing Standards***

Board of Directors  
Substance Abuse Treatment  
Unit of Central Iowa  
Marshalltown, Iowa

We have audited the financial statements of the Substance Abuse Treatment Unit of Central Iowa as of and for the year ended June 30, 2004, and have issued our report thereon dated July 20, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Agency's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition and response is described in the accompanying schedule of findings as item 04-II-I.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described in the schedule of findings is a material weakness. The prior year reportable condition is the same as in the current year.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of the Agency and other parties to whom the Agency may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Substance Abuse Treatment Unit of Central Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Cedar Rapids, Iowa  
July 20, 2004

**SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2004**

**PART I: SUMMARY OF INDEPENDENT AUDITOR'S RESULTS**

1. An unqualified opinion was issued on the financial statements.
2. A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements. The condition is considered a material weakness.
3. The audit did not disclose any non-compliance which is material to the financial statements.

**PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

*04-II-I: Segregation of Duties*

Due to a limited number of personnel performing accounting functions, the Agency does not have adequate segregation of duties over accounting transactions. As a result of this condition, there is a higher risk that errors or misappropriations could occur and not be detected within a timely period.

*Recommendation:*

When this condition exists, management's close supervision and review of accounting information is the best means of preventing or detecting errors and irregularities. We recommend the Agency review its operating procedures to obtain the maximum internal control possible under the circumstances. A good internal control procedure that the Agency should consider implementing is to have the monthly bank statement opened and the contents reviewed by someone other than the person that prepares the bank reconciliation. Another good control procedure is to have employees cross-trained to a certain extent. We suggest that when the bookkeeper goes on vacation, that his duties be performed by someone else.

*Response:*

The Agency is aware of the lack of segregation of duties and has considered alternatives to improve this situation.

*Conclusion:*

Response accepted.

**PART III: OTHER FINDINGS RELATED TO STATUTORY REQUIREMENTS  
AND OTHER MATTERS**

No matters were reported.